

BRITISH
AFFAIRS

A QUARTERLY REVIEW

Special Articles

BRITAIN'S DEFENSE EFFORT

by

The Rt. Hon. Harold Watkinson, M.P.,
Minister of Defence

THE BRITISH EXHIBITION

by

Lord Rootes

YOUTH AND MUSIC

by

Sir Robert Mayer

BRITAIN'S GROWING EXPORTS OF AERO ENGINES

by

J. D. Pearson

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CONTENTS

	Page
BRITISH EXHIBITION	53
—A special message	
BRITAIN'S DEFENSE EFFORT	56
by The Rt. Hon. Harold Watkinson, M.P., Minister of Defence	
EMPLOYMENT EXCHANGES	60
—A Half Century of Achievement	
YOUTH AND MUSIC	66
by Sir Robert Mayer	
INCREASED EFFICIENCY OF BRITISH FARMS	69
UNILEVER	72
BRITAIN'S GROWING EXPORTS OF AERO ENGINES..	81
by J. D. Pearson	
SOME ASPECTS OF COMMONWEALTH BANKING	86
REHOUSING BRITAIN	90
BRITISH ECONOMY—THE BUDGET AND AFTER	93
with Statistical Appendix	

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THE BRITISH EXHIBITION

A message from Lord Rootes

Big though the Coliseum is—400,000 square feet of floor space—it is barely large enough to display a fair cross-section of British life and industry. But that is what we have set out to do in the New York Exhibition which the Duke of Edinburgh will open on June 10.

I should like to tell American friends what the Exhibition is, why we are holding it and why I hope they will come and see it.

What it is

In the first place, this is an offering from British industry. British industry will show its best and most typical products. Motors, trucks, jet engines (three out of every five engines flying or on order in the entire Western world are British), shipbuilding, Irish linen, Scottish woollens, electronic and hi-fi gear—the lot—will be on display.

Secondly, it is an exhibition of British life: business life, cultural life. Old, traditional things and new, brand new, ideas. And I believe that this show will be remarkable for its showmanship. Based on our experience with a number of exhibitions and shows in Europe and elsewhere recently, I believe we have not only something to show, but a way of showing it which will enthrall, amuse and delight visitors to this, the greatest we have ever put on outside Britain.

Why?

Why this Exhibition? Half a million Americans will visit Britain this year. Millions can not do this. But these millions know that, in a dangerous world, it is good to have friends. America's strongest ally and the friend closest to her in patterns of thought and political and religious belief is, in fact, Britain. It is hoped that Americans will get to know that ally better. As Samuel Johnson said, "A man sir, should keep his friendship in constant repair." Many folk take Britain for granted; some suspect that she is "played out." This show will give new heart to those who may have feared that America's best ally was a broken reed.

The Rt. Hon. Lord Rootes, G.B.E., is Chairman of the Dollar Export Council and one of the two Joint-Chairmen of the British Exhibition. He is also Chairman of Rootes Motors Limited, one of the largest automobile manufacturing and distributing groups in Great Britain.



The Great Universal Exhibition
Crystal Palace, London, 1851*

But this is a trade show too. Of course we look to this Exhibition to help sell British goods, to focus on that image of Britain as a producer of fine workmanship, as the seed-bed of so much modern invention. And why not? Every American knows the importance of salesmanship; America has taught this skill to the rest of the world.

But must we sell more and more to America? Let me say a word about our trade and yours. Over the past year or so our trade has been roughly in balance. For a time we were selling marginally more to you than you sold to us; so far this year the marginal balance is on the other side. This rough balance is as it should be. But trade is not (I hope it is not) static. As our respective economies expand the demand for goods expands both for home use and to satisfy overseas customers; it is part of the rhythm of life in well-developed countries like yours and ours that we compete for a growing market. Notice the word growing. If, by our respective national policies we find ourselves competing for a shrinking market, all will suffer. As it is, my personal observation and experience as a businessman is that we can both derive maximum advantage in buying from each other what each produces best and most economically. There, I may add, practical experience only confirms what the classical economists of free enterprise have long taught us.

So let no one fear if Britain with an economy perhaps one eighth the size of America's sells some of its goods to American customers. Remember, rather, that Britain's own recovery is opening up quite new outlets for American goods. Your exports to Britain are running at record levels. And remember that the only good customer is a solvent customer. Only by selling to you can we buy from you and pay debts and take our share in world development.

Worth seeing

Finally, this is why I hope you will come and see this Exhibition: I believe it will interest you. Not the written word or even a holiday visit will show you so much, or so entertainingly, of what Britain "is all about." There will be something for men, for women, for boys and for girls. We have done our best to make it eye-catching and untiring. You can spend all day at this show and not feel too worn out. We have staged this Exhibition in the belief that Americans have enquiring minds. We believe that Britain today merits a close enquiry. This Exhibition is the place to start.

*The first truly international exhibition ever held. In the words of its sponsors, it demonstrated "the astonishing variety of the world's riches and the manifold skills of its children."

Britain's Defense Effort

by

The Rt. Hon. Harold Watkinson, M.P.,

Minister of Defence

Britain's national budget for the current financial year amounts to nearly £5,600 million (\$15,680 million). An Englishman with a wife and two small children who earns £2,500 (\$7,000) a year pays more than £500 (\$1,400) a year in direct tax. If he earns £5,000 (\$14,000) a year the same man with the same family will pay about £1,740 (\$4,872) a year in direct tax. This gives you some idea of what a budget of about £5,600 million a year means to the British taxpayer. Of this £5,600 million budget for 1960/1961 defense will absorb just over £1,600 million (\$4,480 million) or nearly thirty per cent.

Among the NATO countries only the United States and France spend a higher proportion of their gross national product on defense than we do.

The rivalry between the Communist Bloc and the rest is world wide. In Europe, in the Middle East and the Far East, and in Africa, we have to be on our guard against aggression. In all these regions, therefore, the Free World has to be on the watch. The task of deterring aggression is one to which all the committed nations make their contributions. We have inherited responsibilities in all these regions. We need this big defense budget, therefore, so that we can continue to discharge these responsibilities as our contribution to the continued independence of the Free World as a whole.

WORLD-WIDE RESPONSIBILITIES

Britain has been involved in the Mediterranean and the Middle East for centuries. Over the years, our main task has been to preserve stability in the area. Even in the 17th century, our Navy was operating against the Arab pirates. In the 19th and 20th centuries, Britain assumed responsibility for the protection of many of the small Arab Rulers. Today, we have a bilateral treaty obligation to assist in the defense of Libya and for this purpose we maintain three major units of the British Army in that country. In order to be able to come to the aid of any other country in the Eastern Mediterranean which may, if attacked, call upon us for aid, we are maintaining units of the British Army in that part of the Island of Cyprus which we shall be retaining under British sovereignty when the new Republic of Cyprus comes into being. We also have a duty under treaty to protect various small Arab States in Southern Arabia—the Aden Protectorates—

and the Persian Gulf—Muscat and Oman—the Trucial Oman States. We are also looked to as the protectors of the oil bearing States of Bahrein and Kuwait. For this purpose, we maintain British Army, Navy, and Air Forces in the Arabian Peninsula and the Persian Gulf. To provide a general strategic reserve for reinforcement of our troops, if need arises, in the theater generally, we hold units of the British Army in Kenya whence they could be flown rapidly to any scene of trouble.

Britain also adheres to the Central Treaty Organization also known as CENTO. This was originally the Baghdad Pact, but although Iraq has now withdrawn, the other countries in the region—Iran, Turkey and Pakistan—remain firm supporters of this collective security organization. We are all grateful for the support which the United States, though not a full member, gives to the military and economic activities of CENTO. The main task of CENTO is to provide mutual security for Iran, Turkey and Pakistan and thus to create a northerly barrier in the way of Russian expansion southward through the Middle East to Africa. Our obligations to CENTO not only reinforce our need to keep troops in the general area of the Middle East, but also necessitate our maintaining in our British sovereign areas in the Island of Cyprus a force of bomber aircraft which could come to the aid of the CENTO countries if attacked and which would be capable of carrying either high explosive bombs or nuclear bombs.

COMMONWEALTH ASSOCIATION

In the Far East, Britain since the war has helped to bring into existence a number of new independent countries. These include Pakistan, India, Burma, Ceylon and the Federation of Malaya. The Island of Singapore has been granted full internal self-government but Britain retains control over defense and foreign affairs. When Malaya became an independent country, it was agreed that our two countries should conclude a defense agreement under which Britain undertakes to assist Malaya in her external defense to strengthen Malaya's own armed forces. In order to enable us to carry out our own Commonwealth and international obligations, we station substantial British land and air forces in Malaya and also in Singapore. We are members with the United States and France, Thailand and the Philippines in the South East Asia Treaty Organization which exists for the collective security of the signatory States in the region. Our forces stationed on the mainland of South East Asia are supplemented by a carrier task group based on Singapore.

You will see, therefore, that outside Europe we have wide defense obligations as members of CENTO and of SEATO and a number of other obligations arising out of our historical bilateral relationships with other countries in the Middle East, the Persian Gulf, Arabia and the Far East.

In order to carry out these obligations, we have not only to maintain a military presence in these areas, we also have to be able to send reinforcements to any of these areas where trouble may break out. This entails maintaining a Strategic Reserve, the bulk of which is kept in the United Kingdom and a small part, as I have already explained, in Kenya. To get the reserves to the trouble spots, we have a very considerable air transport capacity both for men and freight. Heavier equipment for reinforcing troops is stockpiled in our overseas bases in the theaters concerned. As a further means of bringing forces to bear to a trouble spot so as to prevent trouble spreading and to maintain our role as the keepers of the peace, we now have a commando carrier in commission and are building up our amphibious task forces.

BRITAIN'S PART IN NATO

Now a word about our contribution to NATO. This is the most important of our contributions to the defense of the vital interests of the West. We keep 7 brigade groups in Germany, a valuable force of tactical bombers and, for the time being, a large force of fighters. In our own country, we have under SACEUR's command a further force of V-bombers for employment in the tactical role. We make an important contribution to NATO's maritime air forces and the greater part of the Royal Navy is earmarked for NATO in the event of war. Our own contribution to the deterrent is, therefore, world wide.

NATO strategy rests not only on the shield forces on the mainland of Europe, but also on the maintenance by the West of a strong nuclear deterrent force.

CONTRIBUTION OF BRITISH NUCLEAR SCIENTISTS

We in our country had for several years before the war made leading contributions to the science of nuclear physics. It was natural, therefore, that British scientists should have made a significant contribution to the development of the first nuclear bomb which was subsequently used to put an end to the war with Japan, and that, when the war was over, the British Government of the day should decide to build on this contribution and to develop our own nuclear bombs. We have done so. We have successfully tested both kiloton and megaton warheads and we are building up stockpiles of both. We have also built a very fine force of high performance bombers, the Victors, the Valiants, and the Vulcans, for the delivery of nuclear bombs. We know and your Strategic Air Command knows that the part the British V-bombers would play if it were necessary to make a retaliatory attack, would be militarily of substantial significance.

We have decided that it is our duty to continue to make our own inde-

pendent contribution to the Western nuclear deterrent force. We shall continue, therefore, to produce our own nuclear warheads. We have recently decided to stop work on the ballistic missile, similar to the USAF ATLAS missile, that we were building, because we came to the conclusion that in our geographical position, so close to the Iron Curtain, it would be a mistake to put all our faith in missiles fired from fixed bases. For some years to come, we shall rely on a British-made missile launched from our bombers. We are not putting in hand a British design for the next generation of mobile missiles, because we expect that we shall be able to buy outright from the American Government medium-range missiles for the delivery of our warheads. We are already in touch with them about SKY-BOLT—the proposed airborne missile. We are still considering the problem of seaborne missiles. If all goes well with the idea of buying some missiles from the United States, it will save some money, though the size of these costs is sometimes exaggerated, and the missile we have just cancelled was not costing us much more than a tenth of one cent for every dollar of our national product. At all events, our intention, as I say, is to continue to make nuclear warheads and to maintain means of delivering them, in the belief that this is a contribution which we can and should make to the power of the West.

WEST MUST STAND TOGETHER

In conclusion, I should like to express my firm belief that so long as the Western nations remain firm in their determination to resist aggression, peace will be maintained. The military forces required to deter the hand of the aggressor comprise both long range nuclear weapons and conventional forces. Neither will do without the other. We have to see above all that there is no deterrent gap of any kind that could tempt aggression. Britain will continue to make her contribution to this task in Europe and in those other parts of the world where she has inherited special responsibilities. Particularly do I wish that United States defense policies should remain closely aligned with our own. We must stand together to face the testing times that lie ahead.

In 1909 Sir Winston Churchill described "casual employment" as one of the greatest evils in the nation's social life. Today full-employment and a comprehensive system of unemployment insurance is an integral part of life in Britain. The contribution of Employment Exchanges in bringing this about is described below.

Employment Exchanges — A Half Century of Achievement

The 50th Anniversary of the opening of the first National Labor Exchanges in Great Britain occurred on February 1, 1960. They were established in 1910 under the Labor Exchanges Act, 1909, introduced into Parliament by Sir Winston Churchill, then President of the Board of Trade. That Act gave the Board of Trade power to set up Exchanges to collect and furnish information, either by keeping registers, or otherwise, of people seeking workmen or workmen seeking employment.

Originally the scheme provided for 250 Exchanges. Today there are just over 900 Exchanges, and more than 100 sub-offices and branch employment offices. For administrative purposes the country was divided into 11 divisions, each in charge of a divisional officer, controlled from and co-ordinated with the central office in London. Today the country is similarly divided, but there are only 10 regions each with a Regional Controller in charge.

EARLY LABOR EXCHANGES

The principle of controlling and transferring labor was not new. For many years before the Labor Exchanges Bill was brought before Parliament there had been efforts to maintain registers of people applying for work. Most of these were bureaus organized and run under voluntary management, and later under local committees set up by Act of Parliament. One of the earliest recorded experiments in the organization of labor was in 1547 at Coventry, where aldermen were instructed to enquire among their neighbors and "transfer workmen from one master to another as needs require". Tradesmen, such as carpenters and masons, were instructed to attend the Broadgate at 5 a.m. on a summer morning ready for work and "attend such as lacked workmen". None was to be found "idle at home" or "in any ale-house on pain of imprisonment".

On February 1, 1910, 62 Labor Exchanges were opened, mostly in London and the larger provincial towns. According to contemporary

reports, pressure of business was considerable and on one occasion the assistance of the police had to be sought to maintain order. During 1910, 94 more exchanges were opened, and 274 more had come into use by January 1914.

In 1911 the National Insurance Act was passed. This measure which applied to a limited number of trades—engineering, ship-building, works of construction and building—affected about 2,250,000 people. Its administration was entrusted to the Board of Trade through the Labor Exchanges which made the first payments of benefit in January, 1913.

MOBILIZATION FOR WAR

The system had hardly got into its stride when the first world war broke out. Although designed for peaceful purposes, the machinery was quickly adapted to enable the Exchanges to take an important part in the mobilization of the reserve, and then to handle manpower problems at home. In 1916 there were three events of considerable importance for the Exchanges. The first the passing of the National Insurance (Munition Workers) Act brought the total number of workers affected by unemployment insurance to 3,750,000. The second a change in title. Labor Exchanges were now to be known as Employment Exchanges. This was the prelude to an even bigger change, for little more than two months later under the New Ministries and Secretaries Act, the Ministry of Labor was created to take over from the Board of Trade certain powers and duties in relation to labor and industry, and, in particular, the administration of the Labor Exchanges and the Insurance Acts.

Provision was made in the 1909 Act for the establishment of advisory committees. Originally, these committees covered wide areas, and experience showed the need for more localized organizations in closer contact with their environment. Accordingly under the Employment Exchanges (Advisory Committee) Regulations, 1917, local advisory committees later to become local employment committees, composed of representatives of employers, workers and other interests, were established. These committees took a large share in the period of resettlement after the war and in the local administration of the unemployment insurance scheme. With the ending of the war Exchanges had to guide the translation of men and women to peace-time employment. The magnitude of the task which faced them can be measured from the fact that within six months of the armistice the number of unemployed persons rose from 73,500 to 1,119,000.

NATIONAL SYSTEM OF EMPLOYMENT EXCHANGES

In 1920 the work and administration of the Exchanges was the subject

of an inquiry by a committee set up under the chairmanship of the Right Hon. G. N. Barnes. That committee reported that the Exchanges must be retained as a national system, and that they were a necessary corollary of the State system of unemployment insurance. It was in this year that the Unemployment Insurance Act was passed. Not only was that measure the basis of all subsequent legislation on unemployment insurance but it extended the provisions of the existing scheme bringing within its scope about 12,000,000 workers in the United Kingdom. Hardly had it begun to operate when industrial depression set in. By the middle of the next year more than 2,000,000 workers were registered as wholly unemployed with more than 1,000,000 on short-time. Additional measures were passed to modify the scheme. In 1934 legislation provided a permanent self-supporting scheme of unemployment assistance for those outside insurance.

The essential work of placing people in jobs continued, and the use of Exchanges for the engagement of labor steadily increased. Between 1923 and 1938 the annual number of vacancies filled increased from less than one million in 1923 to a record figure of 2,700,000 in 1938. Although burdened by the payment of benefit, local offices also operated schemes controlled by the Ministry for the training of unemployed workers and their transference to areas with better employment prospects. A Youth Employment Service was also maintained in areas where Local Authorities did not exercise their right to do this.

MANPOWER IN WARTIME

The difficulties caused by mass unemployment began to disappear in 1938 when the growing threat of war led to rapid expansion of rearmament. Soon the country was at war again, and the Ministry was called on to deal with problems of the allocation of manpower, not only for the Services and for key industries, but also for civil defense. In the discharge of that task, affecting as it did the entire working population, the Employment Exchanges played a vital role.

Between 1939 and the end of 1945 more than 8,000,000 persons were registered for National Service. About 13,750,000 men and women were registered under the plans for the mobilization of labor for industry. During the war the Exchanges and Appointments Offices filled 22,500,000 vacancies for work people in industry. At the peak of mobilization in September, 1943, nearly 15,000,000 of the 15,920,000 men of working age in Great Britain were in the Forces, industry or civil defense and about 7,250,000 of the 16,020,000 women of working age were similarly occupied.

MAINTAINING FULL EMPLOYMENT

As the war in Europe entered its final stages plans were being prepared by the Government to ensure the maintenance of full employment in the post-war era. Demobilization started in June, 1945, and by the end of 1947 nearly 5,000,000 men and women had been released from the Forces and absorbed into industry without, this time, any serious unemployment. In 1945 the majority of the functions of the Ministry under the Unemployment Insurance Acts and Unemployment Assistance Acts were passed to the newly formed Ministry of National Insurance. It was foreseen by Sir Winston Churchill in 1909 that the administration of the unemployment insurance scheme and an effective employment placing service were complementary. This argument was repeated in Parliament at the time of the formation of the Ministry of National Insurance. Consequently, it was decided that the Exchanges should continue to register and pay claims for unemployment benefit on an agency basis for the new Ministry.

The demobilization of industrial manpower followed a similar pattern to that devised for the Forces, and in general the re-allocation of labor was completed by the early months of 1948. The Employment and Training Act of that year brought up to date the law relating to the placing of persons in employment, the transfer of labor and training, and authorized the extension of those services as necessary for the purpose of "promoting employment in accordance with the requirements of the community". This Act provided a permanent legislative basis for the extension of the wider services dealing with employment on which Exchanges could concentrate as activities relative to postwar resettlement of ex-servicemen and civilians.

BRINGING TOGETHER EMPLOYERS AND EMPLOYEES

The basic functions of the first Labor Exchanges were designed to provide ready means of bringing together as employers desiring employees and would-be employees seeking employment. Today the Employment Exchanges still provide that service. Every effort is made to find the right job for the right man or woman. Advice on the choice of jobs or on other labor problems is part of the service available both to workers and employers alike. Vacancies which cannot be filled locally are circulated throughout a wide area and, if necessary, throughout the country. In addition, particulars of suitable applicants are submitted in writing to distant employers.

For example, there is a specialized Hotel and Catering Trade Employment Exchange in London with associated hotel sections in Liverpool and Glasgow. A service known as the Professional and Executive Register for

persons seeking professional, managerial, senior executive and executive posts is maintained at 48 of the larger Employment Exchanges which also cater for ex-officers of the Forces as part of the Regular Forces Resettlement Service. Another specialized employment and careers advisory service, the Technical and Scientific Register, is maintained in London and Glasgow for scientists, professional engineers, architects and surveyors. There are also 160 Nursing Appointments Offices held in exchanges, dealing with nursing midwifery, medical auxiliaries and allied occupations.

EMPLOYING THE DISABLED

At every Exchange is a Disablement Resettlement Officer whose duty is to help disabled persons to find suitable employment in industry or for the more seriously disabled in sheltered occupations. A special responsibility of the Exchanges is recruitment under the Vocational Training Schemes. Training in certain trades is provided at Government Training Centers, and by arrangement at Technical Colleges or with selected employers. For people who have suffered illness or injury there are fifteen Industrial Rehabilitation Units which give training aimed at assisting these persons to become fully fit to take up work, as well as giving guidance on the best type of employment to take.

When the Exchanges were opened in 1910 few could have seen the many diverse jobs they would have to perform in the ensuing 50 years. Against a background of diversity they have become part of the life of the nation. Their contribution to the changing social scene has been considerable. Today in an era of full employment the evils of casual labor against which Sir Winston Churchill argued so eloquently in 1909 seem a condition of the remote past. In the last half-century Exchanges have been responsible for filling more than 100,000,000 jobs. In the first year of their existence they achieved about 400,000 placings. In 1959 the total, including those effected by the Youth Employment Offices, was nearly 1,900,000.

The British Industrial Development Office

To assist North American companies planning to establish new production by direct investment in Britain an Industrial Development Office has been established in New York.

This office is located on the 50th Floor, Chrysler Building, Lexington Avenue and 42nd Street. Tel. Murray Hill 2-6820.

Address:

P.O. Box 206, Murray Hill Station, New York 16, N. Y.

GOVERNMENT HELPS BUSINESS

The new Local Employment Act which came into force on April 1, offers industry special inducements to expand into districts suffering from or threatened with high and persistent unemployment. Under the Act areas of higher than average unemployment have been designated Development Districts. Any business undertaking which will help to reduce unemployment in these areas may now be eligible for various forms of Government assistance.

The definition of a business undertaking is a broad one covering any trade or business, large or small—factory, bank, insurance company, hotel, office organization and so on. Furthermore a business does not have to be located in one of the Development Districts, but may be within a reasonable “travel-to-work” distance of such an area. The expansion of an existing concern may qualify just as well as a new venture. The criterion for judging the merits of any scheme is that it should provide continuing work for the people living in the District.

On this basis the Board of Trade, the government department empowered to operate and coordinate the program, can:

- Build factories for sale or rent on favorable terms;
- Make a capital grant toward the cost of an industrialist's own factory;
- Make loans or grants toward working capital or the cost of initial equipment;
- Make grants to local authorities for reclaiming derelict or neglected areas;
- Make grants to local authorities for improving basic services.

In addition to these positive inducements to firms to move into or expand in Development Districts, the Board can exercise the negative control of withholding industrial development certificates from firms who wish to develop in the already over-congested areas.

Youth and Music

by

Sir Robert Mayer

Musical life in Britain has grown steadily since the beginning of the century and so has the status of our composers as well as performers, whether soloists or symphony orchestras or operatic singers.

However, the musicality of a nation is judged only partly by the standard of professionals; at least equally important is the place of music in the ordinary life of the people. In Victorian and earlier days, nonprofessional activities were largely concentrated on choral singing in which Britain always excelled and which is one of its proudest traditions; developments in the instrumental field being of a more recent growth. After the First World War emerged the radio and phonograph which were then considered to endanger spontaneous music.

ESPECIALLY FOR CHILDREN

It was against this background that the writer and his wife decided to launch a new idea; to draw school children to music by providing them with symphony concerts especially designed for them. Some readers in the USA may remember the popularity of similar concerts which were given during and after the First World War by the pioneer, Walter Damrosch. The works forming the program were specially chosen for the capacity of the young audience, the conductor also acted as compere, and prices of tickets were nominal.

We began in 1923 with three concerts in the heart of London though after two years they were extended to the East End of London in order to give the poorest children the same chances as were enjoyed by others.

By 1929 nine centers had been created in and around Greater London, and the founders felt justified in reaching out to other parts of the country.

Sir Robert Mayer, always in close collaboration with his wife, has been instrumental in creating a modern generation of avid music lovers in Britain. In 1923, the Mayers started the now famous Robert Mayer Concerts for children—Sir Robert providing much of the financial support and organizational genius which brought the venture such phenomenal success. Unceasing in his work for youth and music and now in his eighties, Sir Robert is sponsoring a series of operatic productions for young people between the ages of 15 and 25.

The Mayers

1923—The Mayers started the Robert Mayer Concerts in London for children, first conducted by Adrian Boult and then by Malcolm Sargent. By 1928, the Concerts were flourishing all over the country. Sixty-five concerts were given each season in 25 different towns.

1937—Sir Robert founded an annual prize for students of the Royal College of Music, which provided for a solo concert at Wigmore Hall in London.

1939—Britain was able to show her gratitude for all Sir Robert and his wife had done for the youth of the country. He was knighted.

Post-war Years—Sir Robert turned his attention to the international scene. He formed the "Youth and Music" organization which is affiliated with the international organization, "Jeunesses Musicales."

1956—He helped form the International Youth Orchestra. Its first performance in Vienna in 1956 included a number of British players.

1959—Sir Robert sponsored a series of operatic productions by the Sadlers Wells Opera for young people between the ages of 15 and 21.

By 1938 instead of three, there were 65 concerts given during the winter. They were attended by nearly 2 million children. The audience embraced all stratas of society; Queen Mary was one of the earliest visitors and so were statesmen like Arthur J. Balfour; the present Queen Mother, Queen Elizabeth, when Duchess of York brought the two princesses.

The Second World War brought everything to a standstill, but after the war the interest of local and municipal authorities had been sufficiently aroused so that they themselves assumed the responsibility and organization which had previously been carried by the two individuals, who now confine their activities to regular series given in the Royal Festival Hall. It is a story which is now perhaps devoid of romance but proves the possibilities open to those who have faith in music as a factor in the good life and in the public's readiness to listen and learn.

"YOUTH AND MUSIC"

For a long time past, musical education and orchestras in schools have played a larger role in Britain, and of course, also in the USA than in continental countries; but the continent must be given credit for a new coordinated movement which was started in Belgium and France during the War: it is termed Jeunesses Musicales and is intended for people aged 15-25 or even 30 years. Britain became affiliated to this interna-

tional federation, comprising nineteen countries, six years ago, when the writer founded "Youth and Music" whose work can perhaps be best explained by a few examples.

In connection with the Brussels World Fair in 1958, an International Festival of Youth Orchestras was organized in which eight Governments participated, including the USA which sent the Juilliard School Orchestra. In Britain, we decided to form a representative group especially for the occasion. Accordingly "Youth and Music" formed an orchestra made up of outstanding non-professional students drawn from music academies and universities throughout Great Britain. This British Students' Orchestra proved such an outstanding success that we received invitations from different countries to visit them. It was unfortunately impossible to accept them at the time but we did succeed in visiting Vienna last December where we gave three concerts which proved an unforgettable experience for both the Viennese and our young players. Next spring, the British Students' Orchestra intends making a European tour. In the meantime, "Youth and Music" is sending a British contingent of players to Berlin in August to participate in the International Youth Orchestra which will perform at the XVth World Congress of Jeunesses Musicales. It is also engaged in selecting three orchestras of various types which it is hoped will visit Bayreuth in August where they will be guests of the Bayreuth Festival Authorities.

"YOUR OPERA NIGHTS"

Although symphony and choral music have an established place in British life, opera has been comparatively neglected. But the situation is slowly improving. Last year, in an attempt to make young people operaminded, the writer, acting through "Youth and Music," secured the Sadler's Wells Opera for a number of performances from its repertoire. This new series called "Your Opera Nights" exists exclusively for the benefit of young people aged 15 to 25 years who are engaged in business, college and school. Groups formed in various clubs, schools and colleges appoint their representatives who serve on a Young Peoples Council for the purpose of discussing policy and problems. The first series which has just ended was an outstanding success; so much so that the number of "Your Opera Nights" will be increased during next winter, with the selection ranging from *Fidelio*, *Tosca* and the *Barber of Seville* to *Oedipus Rex*. The plan is based on serial tickets which are made available at nominal prices. The experience gained from contact with schools and school-children through the Children's Concerts is now being followed up by applying the system to an older age group. The possibilities for Youth and Music appear to be unlimited.

Britain an island the size of Oregon, but, with a population a third of the U.S.A. imports half its food. Where does the other half come from?

Increased Efficiency on British Farms

In Britain there are roughly 30,000,000 acres of farmed land with a further 16,000,000 acres which are classified as “rough grazing” and which consist mainly of hills. There are some large farms, but small ones predominate. Disregarding the smallest (often worked on a part-time basis), approximately two-fifths of farms are less than 50 acres, another two-fifths lie between 50 and 150 acres, leaving only one-fifth with more than 150 acres.

Despite its small size, the country varies much in its farming conditions. The south and east parts are generally flat, with annual rainfall from 20 to 30 inches; here arable farming is important. Further north and further west the rainfall is higher and the land more hilly, with the result that the land is mostly under grass and livestock play a bigger part in farming systems. For the country as a whole, 63% of the farmed land is grass, either permanently or temporary grass sown down for from three to seven years; the range of variation between counties in this grassland percentage is as wide as from 15 to 85.

PRODUCTION DOUBLES IN TWENTY YEARS

Agricultural production has increased by 60% since 1939, despite loss of land to buildings, roads, airports and so on, and a fall of 10% in the number of workers on farms. Only one twenty-fourth of the working population are today employed in agriculture. But crop yields per acre have risen by about one-third, as have milk yields per cow, which now average 750 gallons for all the cows in the country.

Many things have contributed to increased efficiency. Mechanization has played a big part, the number of tractors have increased ten-fold to the present figure of about 500,000. Although Britain is not thought of primarily as an agricultural nation, it is believed to be the most highly mechanized agricultural estate in the world. The first stage of mechanization—the simple displacement of horses by tractors—is now virtually complete, and good progress has been made with the second stage, which is the equipping of the tractor with its own implements and controls so that it can do much that horses could never do. More advances in mech-

anization will certainly come, and already the first steps in the application of electronics to farming have been taken. Fertilizer usage has reached a high level, though there is room for more generosity to grassland; and application of lime, favored by government grant, is well organized so that acidity now rarely limits production from the land.

ARTIFICIAL INSEMINATION

In the past, British farmers have had great successes in developing breeds of cattle, sheep and pigs which have gone far and wide over the world. Continuing improvement requires the application of quite new genetical techniques. Over 60% of all the cows in Britain are now served by artificial insemination, and this has halved the number of bulls required, giving great opportunity for selection on the male side. The only safe assessment of a dairy bull is made on his daughters' yields, and ever greater weight is being placed on these progeny tests. At the same time a "Selective Mating Scheme" is in operation whose object is to breed young bulls likely to prove successful sires. This means the planned mating of carefully-chosen bulls and cows which may be geographically far apart.

A start has been made along similar lines with beef bulls, and there are five progeny testing stations for pigs and three for poultry, so there is reason to hope that Britain may maintain her proud record in livestock improvement which every year brings buyers from all over the world to her stock sales. The aim must be not only to breed better livestock but also to keep them in health. Foot-and-mouth disease is dealt with by slaughter, and bovine tuberculosis is being eradicated, the plan providing that the whole country shall be clear by the end of 1960. Progress in the control of other diseases is being made, though, naturally, at varying rates.

GUARANTEED PRICES

Most governments support their agriculture in one way or another, and if the degree of support for British agriculture is about the average for all countries where farming may be said to be advanced, it is less spectacular than in some countries. In Britain 12 commodities, for example, wheat, milk, pigs, have their prices guaranteed by the State (see box), which also makes grants (up to 50% of the cost) for good farm practices, such as draining and improving farm buildings. There is also special help for small farmers and for those with land of marginal agricultural worth. The guarantees and the grants are reviewed *annually* in consultation with representatives of the farmers, but there are provisions which limit the amount by which support can be lowered in any one year;

there is no “base” year—only the previous year is used for comparative purposes. Thus farmers have security in the sense that they know they will not be faced with any sudden and catastrophic fall in the prices they receive for their products.

In return for the support it gives, the Government expects that farmers shall continue the improvement in efficiency which has been so marked in the last 20 years. Anyone familiar with British farming before 1939 would scarcely recognize it today. Progress has been due largely to the great scientific advance that has occurred since then and it is certain that only by further application of science to farming can progress continue.

Agricultural Price Guarantees

The policy of the British Government is to avoid direct intervention in the market and therefore to use methods of agricultural support that leave the ordinary channels of trade to operate freely.

The usual form of support is the “deficiency payments system.” The Government pays the producers the difference between the average market price realized and the guaranteed price. The guarantee is thus related to price rather than to quantities of output. Different commodities call for variations of this scheme.

RESEARCH STATIONS

The Agricultural Research Council has 23 research institutes, staffed with highly-trained scientists, in addition to supporting promising lines of research work in universities. It is the task of the extension services to bring new scientific knowledge to the farmers and to help them to adopt new methods and new ideas to their own farms. The extension services have 12 farms and 6 horticultural stations of their own, on which new projects may be tried out under a variety of conditions and to which farmers can go to see the results. In the last few years extension officers have been paying special attention to questions of farm management, to the planning of operations and to the economic use of labor.

This may require, for an individual farmer, a detailed analysis of his present methods and the comparison of his results with economic standards (for example, net output per unit of labor) or it may merely entail estimating the gains and losses which would result, say, from the introduction of a new machine. This work can be time-consuming, but it is very rewarding. The aim is to raise both technical and economic efficiency to the highest level. All this is going steadily forward, encouraged by the amazing advance of British agriculture in the last 20 years.

Lever House in New York is a landmark on Park Avenue, but many people may not be aware that Lever Brothers is part of the world-wide trading group—Unilever. This article attempts to describe Unilever, what it is, the scope of its interests, where it operates.

UNILEVER*

The name 'Unilever' was coined thirty years ago, when the Margarine Union merged with Lever Brothers and changed its name to Unilever Limited. At the same time the Margarine Unie in Holland became Unilever NV (NV stands for Naamloze Vennootschap, or limited liability company).

Unilever was so terse and neat a name that it survived subsequent changes in corporate structure to become a convenient label for identifying the present Unilever Limited of England, or its counterpart, Unilever NV of Holland—which of the two is meant depends very largely upon the part of the world where the people who use the word happen to be. The name Unilever is a convenient way, too, of denoting the entire aggregation of the two parent companies and their multifarious subsidiaries, and this is the sense in which it is used in this article.

LIMITED OR NV

In Unilever we call the English parent company Limited for short, and the Dutch parent company NV. The first thing to be observed of either Limited or NV is that it is a holding company; it does not itself carry on any business of manufacturing or trading but holds shares in other companies which do. Some of the operating companies are the offspring of their parent, by whom they were founded; others are children by adoption and some of these, it so happens, are older than their parent, having been old-established businesses at the time they were adopted.

All the capital of the operating companies, with relatively few exceptions, belongs to one or other parent company. On the other hand, practically all the capital of the two parent companies is owned by members of the investing public, several hundreds of thousands of them in different parts of the world. Because of the way in which the capital is held, and business conducted in the names of operating companies, the products of Unilever are not associated with Unilever in the public mind and so, in order to know what Unilever is, one must look first at the 500 or so

*Reprinted with permission from "Progress," the Unilever magazine, Summer/Autumn issue 1959.

operating companies and at what they do, in short, at the various businesses which make up Unilever.

Unilever is essentially an international organization having its principal roots in the Netherlands and Great Britain, a not unhappy collocation when one considers the past records of these two countries in the world field of commerce.

*Division of Unilever's Turnover
Between Various Product Groups*

<i>Turnover (£ million)</i>	<i>1947 £479m</i>	<i>1958 £1,728m</i>
Soaps, other detergents and toilet preparations	20%	19%
Margarine and other edible fats	15%	16%
Other foods	7%	11%
Oils and fats (mostly sales within Unilever)	32%	25%
Animal feedingstuffs	4%	8%
Produce and merchandise (mostly U.A.C.)	18%	16%
Other operations	4%	5%

HOW IT ALL BEGAN

It was in the latter half of last century that in England and Holland three businesses were founded, entirely independent of one another and with no thought in the minds of anybody that they would ever become associated.

In England, that dynamic and far-sighted personality, William Hesketh Lever (later to become Lord Leverhulme) in the short space of a few years carried the business of making and selling soap further than it had advanced for well over a century. With his brother, James Darcy Lever, he founded the business of Lever Brothers in 1885. 'There is no soap a man can sell that will do his trade so much credit as our soap,' he told the shopkeepers—and it was true. He insisted upon the best soap it was possible to make, branded it under the new Trade Mark Act, sold it in neat tablets instead of from a long bar in the grocer's shop, wrapped it in greaseproof paper instead of newspaper and packed it in an attractive protecting carton. And he called it Sunlight. It was the soap for which the vast new middle class and better-paid working class bred by the industrial revolution were waiting. Captivated by Lever's methods of presentation, as well as by the soap's good value, they bought it in ever-increasing quantities.

This new class of consumer, throughout Europe and in other parts of the world as well as in England, was creating many new demands. It needed more and more food, and to Anton Jurgens and his three sons who were engaged in the butter trade, it became increasingly difficult to find supplies to meet the demand. They went farther and farther afield in search of countries which had a surplus of butter, and still the quantities were not enough. It was Jan and Henri, two of the sons, who solved the problem. They had heard of a new kind of artificial butter which had been invented in France—it had been named margarine by its inventor, a French chemist. They bought the rights and the whole family set to work at once upon it.

Simon Van den Bergh and his sons were friendly rivals in the export of cheap butter from Holland. They heard about the new invention, and began to make artificial butter also.

Why did these three firms, Levers, Jurgens and Van den Berghs share a common destiny? The reason is simple. Soap and margarine have the same basic raw materials; both are made, in different degrees of quality and refinement, from oils and fats and have a mutual dependence on oil milling and seed crushing.

EXPANSION OVERSEAS

The three businesses grew, independently and at a great rate. Each expanded its area of operation: Levers went on to the Continent and into other parts overseas; Jurgens and Van den Berghs went to the British Isles and again to other parts of the world. Each expanded, too, its types of products. In England, during the First World War, the Government not wishing the country's supplies of edible fats to be unduly dependent upon foreign sources, asked Levers to enter the margarine industry, and, having sunk much capital in this new venture, Levers stayed in when the war was over. Jurgens and Van den Berghs, in the meantime, because their basic raw materials, oils and fats, were also basic to the making of soap, had entered the soap industry. All this time, too, the three businesses had been forming new companies, or acquiring existing ones which they thought they could manage more efficiently, and in the course of so doing had become interested in new activities that could conveniently be carried on side by side with the manufacture of soap and margarine.

Both soap and margarine lend themselves to production on the largest scale. Most of the other products which Levers, Jurgens or Van den Berghs had come to make were also suitable for large-scale manufacture. Moreover, nearly all Lever, Jurgens or Van den Bergh products were necessities, not luxuries, intended to be consumed, or used, in the homes of the millions, and to be distributed through more or less the same channels.

The three businesses were not entire strangers to one another; they had their quarrels, but a mutual respect predominated. There were tentative approaches at times for some measure of understanding between them; indeed, a form of co-operation between the Jurgens and the Van den Berghs was, in fact, accomplished, only to be disrupted by prolonged litigation.

MOVES TOWARD MERGER

The situation in which these three businesses found themselves pointed logically therefore to their coming together; it was merely a question of time before they did so.

The first step in the process of merger and amalgamation was in 1927 when Jurgens and Van den Berghs formed the Margarine Union in England, and the Margarine Unie in Holland. There were at that time two other businesses which had characteristics in common with those of Jurgens, Van den Berghs, and even with Levers. One was in Holland; the other had its headquarters in Czechoslovakia and was active throughout Central and Eastern Europe. The former, Hartogs, made margarine among other things; the latter, Schicht's, made both margarine and soap. Shortly after the Margarine Union and the Margarine Unie were founded; Hartogs and Schicht's joined them, and how Lever Brothers and their associated companies became members of the group, thus adding the finishing touch to the whole composition, has been mentioned at the beginning of this article.

RAPID GROWTH

It is, then, thirty years since Unilever came into existence as a group. It was big then and it has grown bigger since. The rate of expansion since the end of the war has been particularly marked. For example, the value of the turnover for 1947 was £479m. Eleven years later that figure had risen to £1,728m, though, of course, the fall in the value of money makes this increase not quite as great as at first appears. In those same eleven years the capital employed rose from under £219m to over £526m, almost the whole of the increase being provided by profits ploughed back. (The average figure for profits retained annually since 1947 is nearly £21m).

In 1948 there were some 200,000 people employed by Unilever, today there are over 280,000—and this despite the economies in manpower which increased mechanization has made possible in most of the individual operations of the business.

Unilever is widespread as well as large. Through its operating companies, many of whose names are household words in the countries where they are established, it carries on business in nearly every country of the

world outside the Iron Curtain and China, in countries varying all the way from the United States, with the highest standard of living in the world, to remote and primitive territories which, to our way of thinking, can hardly be said yet to have a standard of living at all.

WHAT THE VARIOUS BUSINESSES DO

There are businesses bigger than Unilever and there are businesses just as widespread. It is doubtful, however, whether there are any that make and sell such a diverse range of products. Between them the operating companies of Unilever probably supply a wider variety of goods, in more countries, and to a greater number of people than any other manufacturing or trading organization in the world today—trading being mentioned advisedly because, apart altogether from manufacturing, there is a very large merchanting business carried on through The United Africa Company.

On the manufacturing side the companies have four main activities—soaps, other detergents and toilet preparations (including cosmetics, toothpastes, shampoos and 'home permanent waves'); margarine and other edible fats; other food products (including canned goods, meats, sausages, meat-pies, ice-cream, fish and quick-frozen foods); and oil milling, cattle food and other animal feeding stuffs. A 1948 edition of this article remarks that 'neither soap nor margarine today looms as large in Unilever's turnover as it did in the turnovers of the original companies' and the process of diversification away from the ancestral dependence on 'oil and fat' products has continued since those words were written. The table on page 73 shows the division of Unilever's total turnover between various product groups. These figures include sales within the business—notably sales of oils and fats from one Unilever company to another—and the total turnover to 'third parties' was about £365m in 1947 and £1,260m in 1958.

To relate these percentages to physical realities it may be mentioned that in 1958 Unilever sold 1,740,000 tons of soaps and other detergents, 1,605,000 tons of edible fats, and 4,559,000 tons of animal feeding stuffs. The value of the 'other foods' sold was £189,823,00, and sales of merchandise (mainly The United Africa Group) was £191,931,000.

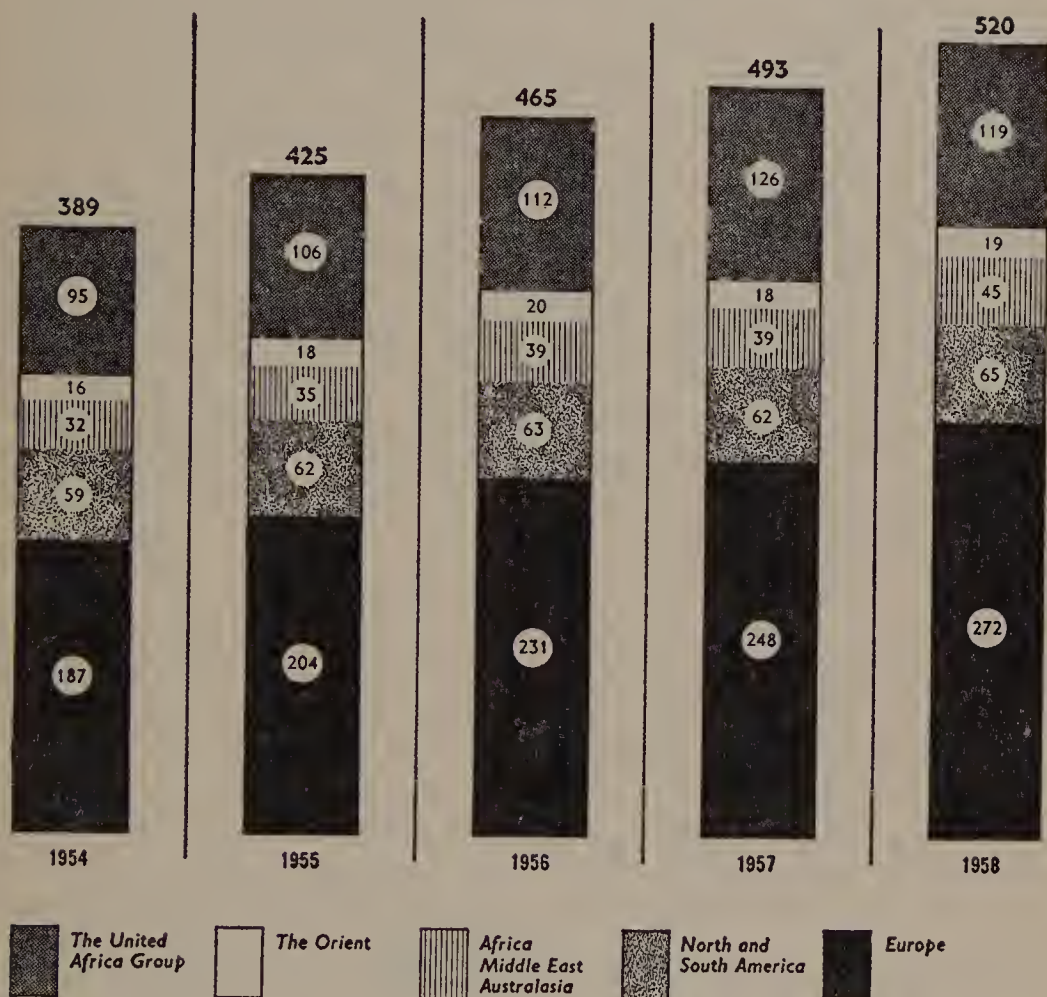
BRAND NAMES PREFERRED

In whatever lines of manufacture Unilever and its predecessors have engaged, the policy has been to prefer the branded to the un-branded article, and the products of its companies comprise many famous brands. And because Unilever in its advertising gives publicity to its products and not to itself, many people do not realize the range of its interests.

Unilever LIMITED and N.V. Groups

Capital employed by geographical areas

Excluding interests not consolidated



When new stockholders in the English parent company, Limited, receive a letter from the Secretary telling them something of Unilever's activities and listing the Unilever products which, if so minded, they can buy in the shops in the United Kingdom, they often express surprise at having learnt for the first time that products with which they have long been familiar come from a Unilever source. Sunlight soap they probably knew about, and Lux and Stork margarine. But it is news to them that

Wall's ice cream and sausages, for example, or Batchelor's Peas, Birdseye frozen foods, Gibbs' S.R. toothpaste, John West Middle Cut Salmon and the Mac Fisheries shop round the corner are Unilever too. And something of the same kind happens in Holland and in other countries.

THE UNITED AFRICA COMPANY

The reader may be wondering where The United Africa Company, much the largest individual unit in the Unilever group, fits into this picture. The United Africa Company, like Unilever itself, is the result of a merger of thirty years ago. In 1910 William Lever began buying control of West African merchant firms in order to put himself in a position to buy oil-seeds and vegetable oils at the source of supply, but not till March 1929, did the old Niger Company and the African and Eastern Trade Corporation, each including a number of century-old firms that were the first to open up trade with the West Coast of Africa, come to terms with each other and amalgamate as The United Africa Company. The Niger Company had been bought by Lever Brothers in 1920 so that when, later in 1929, Lever Brothers and the Margarine Union combined to form Unilever, United Africa became part of Unilever too. The trading areas it took over included North Africa and the Middle East and these were later spread to East Africa.

THE AFRICAN TRADE

The African merchants' trade used to consist of taking European goods to Africa and bringing home African produce in exchange, and William Lever had become interested in it because, for him, 'African produce' meant vegetable oils for making soap.

Today, United Africa is still a merchant in this sense, on a very large scale indeed, but it is a great deal else as well. Answering the West African demand for home-based industry, it has gone into the manufacture of plywood, beer, and mineral waters, plastics and cement, taking into partnership, where necessary, outside firms with desirable technical knowledge. It has established cold stores, shops and department stores, and the building of plants for the assembly of bicycles and of motor vehicles in Nigeria and Ghana is one of its newest ventures. Its marine transport interests include a river fleet and the Palm Line, which has today twenty-five ocean steamers plying between Europe and West Africa.

It was in the first years of the 1900's that William Lever started his own organization for growing and processing oilseeds and vegetable oils. He started plantations in the Solomon Islands and, on a very large scale, in the Belgian Congo. Both enterprises are part of Unilever today, as well as other plantations started since Lever's time. Altogether, in the

Congo, the Solomon Islands, Ghana, Nigeria, Gaboon and Malaya, Unilever had, in 1958, nearly 192,000 acres of plantations which produced 66,500 tons of palm oil and 5,600 tons of copra, besides 7,600 tons of rubber.

At first the main object had been to provide raw materials for the parent company's factories, but Lever soon found that they could only flourish if they traded as businesses in their own right, selling as the market served, even if that meant selling to soapmaking competitors. On that principle they have acted ever since, and today this side of Unilever includes some of the largest businesses of their kind in the world.

EXPANDING MARKET, RISING LIVING STANDARDS

This has been a very brief description of a many sided business. Its gamut of activities includes the selling of soap, margarine, kippers, cosmetics, plywood and cattle cake. It makes heavy chemicals in Warrington, England, meat products at Oss in Holland and it raises beef cattle in the Congo. It is interested simultaneously in designing products for washing clothes on the river bank in Asia or Africa and in the elaborate washing machines of American households. With such a range, vast numbers of people throughout the world come into daily contact with it.

First there are the consumers, who must number millions, of every race and creed. And here let it be remembered that Unilever, and the companies which founded it, have always been identified with the rising standard of life. It was because the standard of life was rising in Great Britain as in Western Europe in the 'seventies and 'eighties that Van den Berghs and Jurgens were able to sell their margarine there and Lever his Sunlight soap. Those three firms each contributed something to a better way of life for ordinary people; all of them prospered in consequence; each of them depended, ultimately, on a continued rise in standards of living if they were to expand. It is the same for Unilever today, though on a wider scale. Unilever cannot have an expanding market unless standards of living rise throughout the world.

Then there are the 283,000 people who work for Unilever in its businesses all over the world. For them the Company provides conditions of employment, salaries, wages, pension arrangements, welfare services, and opportunities for training and promotion at least as good as those offered by the rest of industry in the countries in which they work, and often a good deal better.

MORE THAN 300,000 STOCKHOLDERS

There is a third class of people who come into contact with Unilever—but to a less degree than customers and employees. These are the share-

holders. It may seem anomalous that Unilever should know least those with whom its relations might have been expected to be the most intimate, but the rarity of opportunity and their numbers make this inevitable. In Limited alone the number of stockholders is little short of 200,000. For NV, where according to Continental habit nearly all the shares are bearer shares, an accurate estimate cannot be made but it must be that in Unilever, as a whole there are substantially more than 300,000 stockholders and shareholders. Limited's stockholders are to be found mainly in the United Kingdom. Conversely, the bulk of NV's shareholders live on the Continent, not only in Holland but in France and Germany—the shares are now officially quoted on the stock exchanges of both countries—and elsewhere in Europe. The American investor, too, has in recent years been showing an increasing interest.

In carrying on the businesses of the kinds it does, and in so many places, Unilever necessarily encounters many social and political problems. It is a citizen of many lands, and it owes in varying degrees the obligations of citizenship towards many communities. Such an organization can be a powerful force for good in the world.

Study In Britain, 1961-1963

As a gesture of thanks for Marshall Aid, the British Government established "Marshall Scholarships" in 1953 to enable Americans to study for degrees at British Universities.

Twenty-four awards are offered every year to American graduates, men and women under the age of 26 (or, in exceptional cases 28). High academic ability and wide interests are demanded of candidates.

The scholarships are tenable for two years, and have a basic value of £550 (\$1,540) per annum, plus approved tuition fees and a small allowance for books. A married man's scholarship may be increased by £200 (\$560) in certain circumstances. Marshall scholars and their families where applicable also receive their transportation costs.

Applications for scholarships commencing in October 1961 must be received not later than October 31, 1960.

Information may be obtained from:

The Scholarship Adviser on any campus, the nearest British Consulate or the British Information Services.

Britain pioneered the jet-age. The Comet was the first turbo-jet to enter airline service, the Viscount the first turbo-prop. Since the war British aero-engines have earned over \$700 million in export sales.

Britain's Growing Exports of Aero Engines

by

J. D. Pearson,

Chief Executive of Rolls-Royce Ltd.

The production and export of aero engines is an activity well suited to the British economy since the final product contains such a large element of technical expertise and manual skill, which she has to hand, and makes relatively small demands upon raw materials which she must import.

By far the larger part of the cost of a modern aero engine represents the technical knowledge and highly-developed engineering skills essential to its development and production. A comparison of two types of engine emphasizes this point. A modern high-speed diesel engine for automotive use, itself a highly-developed piece of engineering, sells at about eight or nine shillings for every pound of its weight, whereas every pound of a modern gas turbine aero engine costs £20 to £25, more than 50 times as much.

The resources required in the development of modern aero engines are so large and complex that their existence can be justified and upheld only by an industry made up of large and thriving units. Up to a quarter of the manpower of an aero engine manufacturer will be occupied solely with research and development work, for the aero engine business is extremely competitive and the very nature of the product puts a premium upon even the smallest technical advance.

RESOURCES OF MEN AND EQUIPMENT

The equipment which, in addition to human resources, is essential to the maintenance of a major position in the world aero engine industry is becoming increasingly extensive and elaborate as the engine itself becomes more developed and refined. The installations required to carry out the immense work of developing and proving an engine cost many millions of pounds to establish and millions more to maintain and operate. Rolls Royce Ltd. for example, put into operation last year a High Altitude Test

Plant costing £ 6,000,000, and this is but one of the installations required.

These resources of men and equipment exist in Britain. The aero engine industry there has a working strength of 70,000, and its skill and equipment is of an order sufficiently high to have established British power plants in their present position.

The British domestic market is, of course, insufficient to absorb the full output of an industry of this size, and manufacturers are compelled to think in terms of overseas markets for all its projects, particularly with development costs at their present level— £ 10,000,000 to £ 15,000,000 for a large engine.

EXPORT OF THE JET ENGINE

Since the end of the Second World War, exports of British aero engines have become a factor of growing importance in overseas trade. Between 1948 and 1958 the annual value of British aero engines and parts exported has risen from £ 3,200,000 to £ 49,500,000, and in 1959 the total exceeded £ 64,000,000.

The rising trend in British exports has been closely associated with the development of the gas turbine engine. This, as it exists at present in the Western world, stems from a British development. Its original inception, the classic work of Sir Frank Whittle, was for military purposes and its initial development took place during the Second World War. The superiority of the gas turbine for military aircraft led inevitably to the re-equipment of the air forces of the world with aircraft powered by jet engines.

A large part of this market went to British aircraft with British engines. The first generation is represented by the Gloster Meteor and de Havilland Vampire, powered by Rolls-Royce Derwent and de Havilland Goblin engines, exported to all parts of the world and still in service in many places. Later British military aircraft, notably the English Electric Canberra and Hawker Hunter, both with Rolls-Royce Avon, have been successful in overseas markets.

A further source of military export business which the British industry has fostered is in the sale of manufacturing rights of its engines.

GAS TURBINES IN AIRLINE SERVICE

The development and introduction of the gas turbine engine to airline operation has followed its acceptance into military service. While the British industry was closely associated with the re-equipment of the world's air forces with gas turbine engines, the parallel process in the airline field has been almost exclusively a British development.

The turbo-jet engine as originally produced for military use required extensive development and modification to make it suitable for airline op-

Reorganization of Britain's Aircraft Industry

In 1949 there were 33 airframe and turbine engine manufacturers. In 1958 there were still 24 airframe and six engine manufacturers and a correspondingly large number of different aircraft and aero-engines in production and in development.

The acceleration of technical progress and the intensification of world competition in the development and sale of airliners made it essential to form groups which were financially and technically very strong. Recently the greater part of Britain's aircraft industry has been merged into five large groups, two making airframes, one helicopters and two aircraft engines. This concentration has been achieved voluntarily, but in accordance with Government policy.

The Society of British Aircraft Constructors estimated a few months ago that Government orders for the aircraft industry in Britain accounted for only about half the total, while the corresponding figure in the United States was about 80 per cent.

eration. As a more immediate measure it was apparent to the British industry that many of the advantages of the gas turbine engine could be obtained by harnessing its power to drive a propeller, and it was with this type of engine, the turbo-prop or prop-jet, that the British industry first captured large parts of the world market for civil aero engines. The Rolls-Royce Dart engine in the Vickers Viscount has been exported to 32 countries since introduction in 1953, and the Bristol-Siddeley Proteus, powerplant of the Bristol Britannia, has also achieved world success.

Although the turbo-jet engine has reached a practicable stage of development for airline use, the prop-jet engine still has an assured future. At ranges where cruising speeds above 400 miles an hour at medium altitudes produce block times similar to those obtained by jet aircraft flying at high altitudes, the operating economy of the prop-jet yields advantages. The prop-jet is also well suited to the requirements of feeder-line operation in under-developed areas of the world and, indeed, wherever economy is of prime importance. A most fruitful market for this engine is as a power unit for freight transport aircraft, and the Rolls-Royce Tyne prop-jet has been sold to American freight carriers installed in a Canadian-built aircraft, the Canadair Forty-Four.

PURE JETS AND BY-PASS JETS

The British industry has had its export successes with pure jet engines for commercial aircraft. The de Havilland Comet 4 which British Overseas Airways Corporation is using on its newly re-opened routes to South America is among them. Rolls-Royce has taken orders from airlines in 13 overseas countries for Avon engines in de Havilland Comet and Sud-Aviation Caravelle airliners, among them being Aerolineas Argentinas, operating Comets, and the Brazilian operators, Varig, with Caravelles.

The pure jet, however, is not the ideal engine for transport aircraft flying at the speeds envisaged today. The "by-pass" jet offers far greater economy and is, in fact, now generally recognized as the correct formula for subsonic jet transport aircraft, even to the extent that certain pure jet engines are to be modified by the addition of fans to take partial advantage of the by-pass principle. This type of engine was a British development. Bringing it to operation status has been the work of Rolls-Royce since 1950, when their Conway engine was first proposed. It was with this engine that Rolls-Royce succeeded in breaking into the market of American-built aircraft. Seven airlines have chosen it for their Boeing 707 and Douglas DC-8 jet liners.

LEADERSHIP IN CIVIL TURBINE ENGINES

The leadership of the British aero engine industry in civil turbine engines is underlined by the fact that Britain is the only country to export large turbine engines for installation in foreign-built civil aircraft, sales being made for American, Canadian, Dutch and French machines which in turn are sold in many other countries.

British success in this market has been maintained in the face of fierce American competition during the last five years; despite this, 62 per cent of the airliners powered by the various types of gas turbine engine in service or on order in the Western world have British engines.

There are still certain applications where the piston engine is desirable, particularly in light aircraft, and the de Havilland Engine Company's Gipsy Queen engine is in service in 30 countries in de Havilland Herons.

FUTURE PROSPECTS

The export successes of the British industry have been made, particularly in the military field, during a period of world-wide re-equipment, with manned aircraft and further re-equipment is now being supplemented by the introduction of guided missiles. The British industry has not neglected this type of product. The Bristol-Siddeley company has recently announced the sale of its Thor ramjet, power unit of the Bristol Bloodhound missile, to Sweden and Australia. Nevertheless, it is becoming increasingly

apparent that the advent of the guided missile has not altogether outmoded the manned aircraft for military purposes. The Bristol-Siddeley Orpheus engine has been selected by the North Atlantic Treaty Organization for its new lightweight fighter, the Fiat G.91. The Rolls-Royce Dart is fitted in the Breguet Alize anti-submarine aircraft being built for the French and Indian navies; and it is generally recognized that the re-equipment of the transport branch of many air forces has lagged behind that of the fighting arms.

For civil aviation the future lies with the by-pass engine and with the high economy prop-jet. The unique experience of the British industry, which today can claim more than 90 per cent of the hours flown by all types of civil turbine engines in the Western world, will be invaluable.

MAKE IT IN BRITAIN

It is now easier than ever before to "Make It In Britain." Although one of the most highly industrialized countries in the world, Britain's economic health is dependent on overseas trade. Investors find they are entering a market which is by nature outward-looking and expansion-minded. It is hardly surprising that out of the \$4,000 million which American business has now invested in Western Europe \$2,000 million is in Britain.

Investment in Britain and Northern Ireland brings the benefits of Imperial Preference, a skilled labor force, prosperous markets, special Government aid to new businesses and freedom to transfer earnings and capital gains.

If you are interested in the possibilities of setting up in the United Kingdom and want practical advice and information, write for our free booklet "Make It In Britain" or contact the United Kingdom Industrial Development Office, 50th Floor, Chrysler Building, Lexington Avenue at 42nd Street, New York City, N. Y.

The older Commonwealth countries have long operated their own central banks, but the provision of an adequate system of central banking in the newer lands is a problem in itself. Banking techniques, along with legal, constitutional, engineering, scientific and other skills must be bequeathed to the new nations.

Some Aspects of Banking in the Commonwealth

The shrinkage of Britain's former colonial empire has been accompanied by an increase both in the number and in the diversity of the autonomous, or near-autonomous, countries which are associated in the Commonwealth. The forces that bind the Commonwealth together are both political and economic. Most Commonwealth countries share the British parliamentary tradition but in addition the economic and financial ties with the United Kingdom do much to bind the countries of the Commonwealth together.

Most of these countries have remained members of the Sterling area, using London as their international banking center and keeping the bulk of their external reserves there. For several Commonwealth countries it is the British market that provides the best outlet for their exports and a significant source of imports. Again, in the commercial and central banking fields, London's example is often followed and her advice sought. Moreover, the London market remains the principal if less than adequate source of capital to feed the development schemes upon which all these countries have embarked.

CENTRAL BANKS—SYMBOL OF INDEPENDENCE

There are conventional symbols of economic autonomy that most countries feel they must now acquire almost at the same time as their political freedom, and the most obvious of these is a central bank. A number of the older Commonwealth countries achieved this goal during the inter-war years, and the bulk of the rest have acquired a central bank during the 1950's. Two of the most recent are the Central Banks of the Federation of Malaya and Nigeria.

The new African central banks and for example that of the Federation of Malaya, have the responsibility for keeping the economy on an even

keel (in countries as dependent as these are on one or two staple export crops, economic stabilization is a key objective). But also, like their predecessors in India, Pakistan and Ceylon, they have special responsibility for development. There are two main reasons for this. First, because banking and financial arrangements in these countries are still over-dependent on the so-called expatriate banks which are primarily interested in financing the export-import trade, there is a strong case for encouraging the growth of domestically owned and controlled commercial banks. These, without abandoning the tenets of sound banking associated with British institutions, may cater more directly for specifically local needs. Second, strong political pressure emerges for central bank assistance in financing development schemes.

SOUND ECONOMIC GROWTH ENCOURAGED

Under the first head, it is a proper function of a Central Bank to encourage the growth of a healthy commercial banking structure; this is a task that Central Banks in India and Pakistan have for some years had in hand, offering advice and leadership as well as imposing the discipline of regular inspection and audit. The emphasis in the constitutions of the Central Banks of Ghana and Nigeria is on "co-operation" to "promote and maintain adequate and reasonable banking services for the public" and "to ensure high standards of conduct and management throughout the banking system"; but they are pursuing much the same objectives and, in the cases of the Federation of Malaya and of Nigeria, specific powers have already been taken under their Banking Ordinances to license and regulate commercial banks—as in India and Pakistan. Legislation along these lines has also been foreshadowed in the Federation of Rhodesia and Nyasaland.

It is yet to be seen how successful the new Central Banks will be in resisting political pressure to lend directly for "development" purposes, whether to the government or to anyone else. The Central Bank may, of course and quite properly, provide the leadership and part of the capital in setting up specialist institutions for the purpose of financing economic and industrial expansion. In this way its financial commitment would be limited and its independence protected. Samples of such developments may be found in the Federation of Malaya and in Nigeria, where it has been provided that, with the approval of the Minister of Finance, the Central Bank may, within limits laid down by statute, "subscribe to, acquire, hold and sell shares of any corporation set up with the approval of, or under the authority of, the government," for the purpose of promoting the development of a money market or a securities market, or for improving the machinery of financing economic development.

CURRENCY AND CREDIT CONTROL

But while development is the key word nowadays, the role of the Central Bank as a regulator of the general economy is not overlooked. In the first place, the new banks, like the Bank of England, are banks of issue. They provide the coinage and the notes and maintain the necessary reserve backing to the currency.

In the second place they must keep an eye on the levels of credit and in the absence of developed money markets and therewith of the possibility of controlling money and credit by influencing the market, the new African Central Banks have had to employ more direct means of credit stabilization. For this purpose they may resort to the technique of varying the commercial banks' cash-to-deposit ratios. On the other hand the Central Bank must be rather liberal in assessing the eligibility of borrowers. For example, in order to assist in financing the seasonal requirements of agriculture and of crop marketing, these Central Banks are permitted to discount bills of exchange up to six months' maturity. Central Bank accommodation for the marketing of key crops may well disappear at a more sophisticated stage but it is necessary at first, as it was in e.g. Australia.

CENTRAL BANKS AND CENTRAL GOVERNMENT

Constitutions of these several Central Banks have much in common in their provisions for relations between themselves and their governments. Each is required to act as its government's banker and financial agent. Subject to limits related to estimated tax income, temporary advances may be made to the government, and the Central Bank is responsible for the issue and management of government loans.

In the Federation of Malaya, and in Ghana, and in Nigeria—the Commonwealth member countries served by new Central Banks—there are as yet virtually no money or securities markets although Treasury bills have been issued from time to time in the Federation of Malaya and, in April, 1959 power to issue Treasury bills was accorded in Nigeria. Nigeria's first local loan was issued in May 1959 while in Ghana, the Minister of Finance in his recent budget speech stated that the Bank of Ghana is planning to launch very soon a new series of Government securities and also proposes to issue some Treasury bills. But in the Federation of Rhodesia and Nyasaland, whose Central Bank only began operations in April, 1956, developments in these and related fields have been quite rapid—due largely to the country's commercial and financial links with London and South Africa.

The objective has been to ensure that Central Bank action is generally consistent with government aims. Thus, under the Federation of Malaya

Central Bank Ordinance, the Bank Board must keep the Minister "informed of the monetary and banking policy pursued or intended to be pursued by the bank", and, if the Minister disagrees with the Board, he may, from time to time, issue binding directives to it. But the Board may object to any such directive in writing, the relevant papers being tabled in the House of Representatives.

These provisions reflect Australian influence since Australian Central Bank officials assisted in the drafting of the legislation and a former Commonwealth Bank of Australia man was to become the Central Bank's first Governor. The two new African Central Banks are less precise in this matter (reflecting the less formal approach of the Bank of England) and the Nigerian ordinance merely provides for an Advisory Committee comprising the Central and Regional Ministers of Finance (or their alternates), and the Governor or Deputy Governor, while Ghana lays down no specific machinery for ensuring that Bank policy is consistent with that of the Government.

RESERVES MANAGEMENT

These several Central Banks also operate arrangements that are rather similar with regard to the maintenance of external reserves; this being a legacy of colonial days when domestic issues of currency administered by Currency Boards were tied to the levels of overseas earnings and external assets. Although there is an obvious connection between overseas earnings and domestic spending power it is difficult to distil these relationships into a formula. Domestic development, leading to changes in internal currency needs, as well as the necessity for a cushion of external assets to absorb the impact of changes in the price and demand for exports and imports, have to be accounted for.

Nevertheless, the several countries have attempted to lay down rules. It is fairly argued that during the formative years of a new Central Bank such formal discipline is necessary.

Britain Anyone?—1½ Million In 1960

The number of tourists visiting Britain has increased by about 180 per cent in the past twelve years. In 1959 the number of overseas visitors totalled 1,390,000, an increase of 10 per cent over the previous year.

In 1960 visitors to Britain are expected to exceed the 1½ million mark.

1.5 million homes were destroyed or made totally uninhabitable during the war, 3.4 million have been built since 1945. Public housing is now concentrating on slum clearance and redevelopment—over 1,000 slum houses are being closed or demolished every week.

Rehousing Britain

Bombs destroyed 225,000 homes in Britain during the Second World War. Another 250,000 were made uninhabitable and 1,000,000 more were damaged to some degree and needed repairing.

While this was happening, new building was virtually at a standstill; and marriage and birth rates were soaring. The combination produced the worst shortage the country had known.

Today the crisis is past and a new challenge is being met: the clearance of slum acres still left in big towns and rural areas.

THE NEW HOMES

In the 14 years since the war ended, nearly 3,400,000 new, permanent houses and “flats”, as the British call apartments, have gone up. Private building has been responsible for 1,000,000 of these—mostly for sale to owner-occupiers. But the rest, colloquially called “Council houses,” have been built by the State, through the agency of the local authorities like the London County Council, most of them for renting at weekly rates.

A visitor to Britain today will still find overcrowded homes if he looks for them; even acute housing shortages in some areas. But the figures mean this: one Briton in every five—10,000,000 men, women and children—is living in a new, modern home, built to high standards of comfort and amenity.

These standards were not lowered despite the set-back from 1939 to 1945. On the contrary, most local authorities have built bigger homes than they did before the war. Floor area, although reduced in recent years, still averages about 900 square feet in a typical, three-bedroom house. In 1932 the average was 720 square feet.

The homes have up-to-date plumbing and hot water systems. There is electric light, and a means of heating all rooms, and of cooking by gas or electricity. Storage space is ample, kitchens are fitted for labor-saving equipment, and, where coal is still king, new types of continuous-burning grates are provided.

THE BIG IMPROVEMENT

For comparison, the 1951 census in Britain revealed that more than 1,000,000 older homes had no indoor water-closet; 5,000,000 had no fixed bath; and 800,000 no piped water.

There is a strong popular demand in Britain for a house with a garden. Most of the post-war homes—privately or publicly built—meet this wish. But perhaps the most revolutionary change in council housing is the increasing number of garages and parking lots which are today provided on the new housing estates.

In the new city flats—many of which are up to 11 and some to 15 storeys high—there are such additional items as drying cabinets and even hobbies' rooms, where a tenant can work at his carpentry without disturbing the neighbors. The high flats have automatic lifts, and chutes for refuse disposal. If there are no individual gardens, play spaces are laid out for children. Among the latest tall blocks under construction in London and other cities electric floor heating is being tried out.

ON THE BASIS OF NEED

The ability of tenants to pay for these new homes, the cost of which may be three or four times that of pre-war days, has been given much consideration. Average costs of three-bedroom, traditional-type council houses range from £ 1,300 to about £ 2,000 in big towns and from £ 1,065 to nearly £ 2,000 in rural areas. The figures are higher in London where, in any case, most new housing has been in the form of flats.

Contrary to a widely-held belief, a belief held even in Britain itself, there is no housing specifically for lower-income group families today. For the past ten years at least, municipal authorities have provided homes on the basis of need—existing housing conditions, size of family, and the like—and not of income.

Nevertheless, by the payment of subsidies from the Exchequer and contributions from rates levied by local authorities on property owners, rents have been kept to reasonable levels, benefiting, when taxation is taken into account, those of smallest means.

The subsidy was once as high as £ 35 a year for each house for 60 years, and until three years ago it was a little over £ 16 for 60 years. This form of earmarked subsidy has now been abolished, although a subsidy of £ 10 is still paid for one-bedroom homes (to help old people) and £ 22 for homes built for slum clearance. As the former subsidies are still being paid by the exchequer to the local authorities, most local authorities pool them and spread the rent burden equitably over all homes, at the same time cushioning the inevitably higher rents of the latest houses.

The Age of Britain's Houses

<i>When built</i>	<i>Owner-occupied</i>	<i>Rented by Private landlords</i>	<i>Rented by local authorities etc.</i>	<i>Total</i>
1945-58	0.8 mn	0.05 mn	2.45 mn	3.3 mn
1919-45	2.7 mn	0.6 mn	1.3 mn	4.6 mn
1900-19	1.5 mn	6.0 mn	0.1 mn	1.7 mn
1850-1900				3.75 mn
Before 1850				2.15 mn
TOTAL	<u>5.0 mn</u>	<u>6.65 mn</u>	<u>3.85 mn</u>	<u>15.5 mn</u>

SPECIAL RENT SCHEMES

Some councils have also adopted special rent schemes to help their lower income tenants. Some fix maximum and minimum limits between which rents are assessed according to a proportion of the tenant's income. Others charge an economic rent but allow those who cannot afford this to apply for a rising scale of rebates. This practice is not universally adopted however. Authorities such as the London County Council—Britain's biggest municipal landlord—have resisted the idea, claiming that their wide range of homes and rents can cover most levels of income.

Average rents, for the above reasons, are difficult to estimate. Roughly, however, in a three-bedroom council house in London the range is from 13 shillings to 30 shillings a week for pre-war property and from 25 shillings to 48 shillings for post-war homes. The two lower figures fall to five shillings and 14 shillings in other cities and are generally lower still in smaller towns. In London they can go up to 70 shillings and 108 shillings—where charges for special services are included.

These rents should be considered against Britain's rising standards of living. Figures show that home deliveries of domestic refrigerators have shot up from a monthly average of 28,500 in 1955 to 100,000. Television sets have increased from 140,000 a month to 355,000 and vacuum cleaners from 100,000 to 155,000.

Against the bright new look of the post-war homes, a nation-wide survey in 1954 showed that there were still some 850,000 homes in the slum category. In five years since then under a Government-directed drive, 200,000 have been cleared away, and their occupants rehoused elsewhere or in new homes on the old sites.

The target has been set at 60,000 unfit homes demolished every year. Such targets are easy to set and might be higher; but a fair target must be one that allows for the effective rehousing of every displaced family. There is no room in Britain for solving slum problems by transferring the slums elsewhere.

The British Economy — The Budget and After

In Britain, the Budget is not a statement of what the Government would like to spend. The proposed expenditure for the year has already been presented in detail to Parliament, by the Treasury, on behalf of each of the great departments of state. These are the Civil and Military "Estimates"—a bound volume-full for each of the main departments.

The Budget relates these estimates of expenditure first to the estimates of revenue and secondly to the estimates by the Government, made in the light of the broad economic balance of the country, of what extra taxes are required to cover this expenditure. The money that the Government pumps into or takes out of the economy is, in all industrial countries, a major factor in establishing the shape and degree of activity in the national economic life. By powers conferred on it by Parliament, the Government may bring these taxes into effect forthwith. If the tax on gasoline or tobacco is put up, the chances are that it will be made effective the same night as the Budget is announced. Hence the fever pitch of interest that the Budget can arouse. "Budget Night," with "Boatrace Night" or the night of the Derby or the Grand National, figures in the British calendar as one of the great occasions, for joy in some years, for black despair in others.

THE BUDGET AS A STIMULUS

This year's Budget was not and was not expected to be dramatic. The analysts of form had warned their public that nothing much could be given away, given the general state of the economy, but, on the other hand, the barometer pointed to "no change" rather than to "rainy weather." A look at the previous Budget helps us to understand the direct link between the Budget and the general economic climate. A year ago no one in Britain—Labour or Conservative—doubted the need to inject a further stimulus into the economy. The Government itself planned a current surplus only one third of the previous year's, and a substantial borrowing for public capital expenditure. Purchasing power was increased by a useful reduction of income tax (from $42\frac{1}{2}$ per cent to $38\frac{3}{4}$ per cent): there was a new stimulus to domestic investment by attractive tax rebates for investment spending. Purchase tax was reduced, the top rate from 60 to 50 percent.

And there can be no doubt that this injection of spending power played its part in the 10 per cent increase in industrial production in 1959, a 10 per cent rise in exports, and, except in the case of certain outlying areas,

in the elimination of the unemployment of capital, equipment and manpower that had mounted during the earlier period of restraint imposed on the economy. Fixed investment rose about 4½ per cent between 1958 and 1959.

THE PRICE OF EXPANSION

But, in giving these figures in his Budget speech this year, the Chancellor reminded the House of other consequences of expansion. Imports rose 6½ per cent in 1959 and the overseas surplus which is normally relied upon to finance the outflow of investment and debt payment overseas fell from £349 million in 1958 to £145 million in 1959. This was taken by the Chancellor as the principal sign of overstrain in the economy.

THE BUDGET STATEMENT

ESTIMATES FOR 1959-60 AND 1960-61 COMPARED

"Above the line" (current revenue and expenditure) (£ million)

	1959-60		1960-61
	(estimate)	(outturn)	(estimate)
Revenue	5325	5630	5980
Expenditure	5223	5244	5676
Surplus	102	386	304

"Below the line" (capital receipts and payments)

Receipts			
(loan repayment, interest, etc.)	382	386	432
Payments			
(loans to Colonial Governments, housing, transport, etc.)	1205	1086	1054
Deficit below the line	823	700	622
Current surplus (see above)	102	386	304
Sum to be borrowed during the year	721	314	318

PROSPECTS FOR THE NEW YEAR

For 1960-61 the Chancellor saw good reason to expect a continued upswing in exports: consumer demand might rise a further 4 per cent and the demand of the Government's own services for the products of the economy might also be up 4½ per cent. Public investment might be as much as 6 per cent higher than last year, while private investment may well be up 10 per cent. This together with expected continued stock, or inventory replacement adds up to expansionary forces which, with the productive machine at full strength once more, could be inflationary in terms of do-

mestic prices and harmful in respect to foreign operations. The latter on two counts, because the balance of payments swings the wrong way if prices are going up and the supply of goods is tight; so exports lag in the face of rising imports. And secondly, because of the very substantial commitments which Britain has accepted towards the underdeveloped countries. Her ability to provide either the goods or the finance depends on prices and production at home and the balance of payments abroad.

This is how the Chancellor, in his Budget speech, summed up the economic climate against which he framed his Budget proposals:

"So our present position is one in which production, employment, investment and saving are all running at high and satisfactory levels. The cost of living is stable. The standard of living of the nation has never been so high. This is great progress. We all want it to continue. That is entirely possible, provided that we do not force the pace beyond our resources. What those resources permit at any time is a difficult matter of judgment. My own judgment is that the prospective increase in demand arising from the factors I have described is likely at least fully to absorb and might even involve a danger of outrunning the increase in production which can be expected."

CREDIT EXPANSION

But it did not take the famous Radcliffe Report to persuade the Treasury to look at the whole credit structure, when seeking for the nerve center of economic growth.

The Chancellor noted the phenomenal expansion in Bank advances in 1959: an increase of £ 642 million, or almost a third; deposits rose £ 246 million, or 4½ per cent; hire purchase (instalment) debt of consumers rose £ 250 million (although personal savings rose by almost £ 200 million to record levels and this is an offset to such debt). The Chancellor welcomed last year's expansion as timely; but issued a very direct warning about further expansion at comparable rates: . . . "I think it likely" he said "that the time may soon arrive when it would be right that we should take other steps . . ."

Such steps were taken on April 28 when the Bank of England introduced for the first time a compulsory deposit requirement for the private banks somewhat analogous to the requirement in the U.S. that member banks keep specified deposits with the Federal Reserve system. At the same time instalment buying regulations were tightened up.

A STANDSTILL BUDGET

Against this background it was obvious that the Chancellor would "give nothing away," but the Chancellor was not trying to force the economy

backwards; rather, as he put it, to “consolidate and secure the advances we have made and enable us to continue our advance in the year ahead at a pace which will not endanger the stability upon which our whole prospects depends.”

His main proposals are summarized below. They are mainly proposals of a sort entertained each year in the endless process of tidying up the basic income tax laws. There were significant ones aimed at limiting tax evasion.

As the Budget summary* shows, the planned surplus on current account is almost trebled and the amount to be borrowed for public works etc. is less than half what was planned for 1959-60. (It will be noted that these 1959-60 estimates were not in fact realized; The surplus was bigger and the borrowing was less than estimated). No new purchasing power is injected into the economy through the 1960-61 Budget: the small concessions are more than offset by increased taxes elsewhere.

PRINCIPAL CHANGES IN TAXATION

(There was *no change* in income tax—standard rate = 7s.9d in the £ or 38¾ per cent).

Tobacco Duties to be raised by 3s.4d (47 cents) a pound equivalent to 2d (2 cents) on a packet of 20 cigarettes at present costing 3s.11d (55 cents). Increase would yield £39 million (\$109.2 million) this year and £40 million (\$112 million) in a full year.

Profits Tax rate to be raised from 10 per cent to 12½ per cent (yield about £1 million [\$2.8 million] in current year, perhaps £40 million [\$112 million] in 1961-62).

(*Total corporation tax thus becomes:* Income tax at 38¾ per cent plus Profits tax at 12½ per cent equals 51¼ per cent.)

Personal Allowances. Dependent relative and housekeeper allowance raised from £60 (\$168) to £75 (\$210) (cost to Exchequer £6¾ million [\$18.9 million] in a full year).

Widow or Widower with children eligible for children's allowance but without resident help to get a £40 (\$112) allowance (a new feature) (cost to Exchequer £2 million [\$5.6 million] in a full year).

Repayment of Post-war Credits (Compulsory war time tax deductions to be paid after war) accelerated payments for certain hardship cases (possible cost to Exchequer £9 million [\$25.2 million] this year).

*See box on page 94. This summarizes the Financial Statement issued at the conclusion of the Budget speech.

Wine. Rates of duty on imported heavy wines and on light wines imported in bottle would be reduced by 12 shillings (\$1.68) per gallon. Excise duty on British wines would also be reduced. The changes are estimated to cost £3.75 million (\$10.5 million) this year and £4 million (\$11.2 million) in a full year.

Entertainment Duty. This would be abolished, at a cost of £6.5 million (\$18.2 million) this year and £7 million (\$19.6 million) in a full year.

Estate Duty. (i) The tax on gifts *inter vivos* made within five years of death to be graduated according to the length of the interval. Only gifts made within 2 years of death will be charged the full duty. (Cost to Exchequer: £2 million in a full year.)

(ii) Businesses valued on the assets basis would always henceforth be valued as going concerns for estate purposes, rather than as sometimes happens now, according to their value on being broken up.

Tax Avoidance. Provisions would be introduced to deal with:

- i. the use of sales of stock “cum-dividend” as means of tax avoidance (“bond washing”).
- ii. a form of tax avoidance involving the conversion of income into capital appreciation by the sale of company shares.
- iii. tax avoidance by switching investments between financial-dealing concerns and investment-holding concerns under the same control.
- iv. to prevent “dividend stripping” by enabling the Inland Revenue to give directions nullifying the tax advantages of transactions in stocks, shares or securities arranged mainly to secure such advantages.
- v. compensation for loss of office. Voluntary payments at the end of employment, and payments of compensation for loss of office, but not reasonable lump-sum superannuation benefits, would be made liable to tax. (As proposed by the Royal Commission on Taxation).

Income Tax Penalties. A review has been made of existing penalties which the Courts may impose. New provisions would be made in the finance bill.

STATISTICAL APPENDIX

THE BRITISH BALANCE OF PAYMENTS 1957-1959 (£ million)

Current Account

	1957	1958	1959 (prov)
imports (fob)	3,569	3,330	3,605
exports and re-exports (fob)	3,538	3,428	3,547
"trade" balance	<u>-31</u>	<u>+98</u>	<u>-58</u>
balance of invisible transactions			
—Government expenditures, interest, profits, dividends, shipping, travel, etc. . . .	+265	+251	+203
current balance	<u>+234</u>	<u>+349</u>	<u>+145</u>

Capital Account

balance of long term capital transactions	-197	-259	-548
balance of current and long term capital transactions	<u>+37</u>	<u>+90</u>	<u>-403</u>

Monetary Movements

Change in gold reserves, change in holdings of sterling by overseas countries, etc.	<u>-197</u>	<u>-213</u>	<u>+363</u>
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Balancing Item

(Difference between movements in current and capital account, and the known monetary movements)	+160	+123	+40
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GOLD AND CONVERTIBLE CURRENCY RESERVES

OVERSEAS LIABILITIES, OVERSEAS HOLDINGS OF STERLING ETC.

		Dec. 1956	Dec. 1957	Dec. 1958	Dec. 1959	April 1960
Gold and convertible currency reserves*	(£ m)	799	812	1,096	977	1,011
	(\$ m)	(2,237)	(2,274)	(3,069)	(2,736)	(2,830)
Holdings of sterling by other countries, colonies and the International Monetary Fund	(£ m)	4,091	3,918	3,976	4,203	—
	(\$ m)	(11,455)	(10,970)	(11,133)	(11,768)	—

*In addition Britain has \$1,950 million drawing rights on the International Monetary Fund, diminished by outstanding drawings at end 1959 of \$361 million. These are at present being liquidated in monthly instalments of \$14 million. The Treasury confirm earlier (1956-57) estimates that the dollar securities vested during the War and since retained by the Government have a market value of between \$750 million and \$1,000 million.

MAKEUP OF BRITISH GOVERNMENT ASSISTANCE
TO LESS-DEVELOPED COUNTRIES*
£ million (\$ million in brackets)

<i>Bilateral Assistance</i>	<i>1957-58</i>	<i>1958-59</i>	<i>1959-60 (estimate)</i>
Grants	35.0 (98.0)	33.3 (93.2)	39.6 (110.8)
Loans	10.9 (30.5)	36.7 (102.8)	60.4 (169.1)
Technical Assistance	4.1 (11.5)	4.4 (12.3)	5.2 (14.5)
Total	<u>50.0</u> (140.0)	<u>74.4</u> (208.3)	<u>105.2</u> (294.4)
Emergency Assistance	13.3 (37.2)	11.7 (32.8)	12.5 (35.0)
Total bilateral assistance	<u>63.3</u> (177.2)	<u>86.1</u> (241.1)	<u>117.7</u> (329.4)
<i>Multilateral Assistance</i>			
Disbursements from the United Kingdom subscription to I.B.R.D.	16.0 (44.8)	21.1 (59.1)	18.0 (50.4)
U.N. Expanded Program of Technical Assistance (and U.N. Special Fund after 1959)	0.7 (2.0)	0.8 (2.2)	1.2 (3.4)
Subscriptions to U.N. Agencies	<u>1.4</u> (3.9)	<u>1.5</u> (4.2)	<u>1.5</u> (4.2)
Total multilateral assistance	<u>18.1</u> (50.7)	<u>23.4</u> (65.5)	<u>20.7</u> (58.0)
Total economic assistance	<u>81.4</u> (227.9)	<u>109.5</u> (306.6)	<u>138.4</u> (387.5)

*Assistance from the United Kingdom for Overseas Development. This White Paper estimates that, in addition, the outflow of private capital has been of the order of \$840 million a year for each of the last seven years, and that about $\frac{1}{3}$ of this private outflow has gone to less-developed lands. These outflows are a major factor in the British Balance of Payments and so of the British Budget decisions referred to in the preceding article.

CMND 974 price 18 cents, plus 5 cents mailing, from B.I.S. Sales Section.

NATIONAL INCOME STATISTICS
(*£ million*)

Gross National Product (a) at market prices, (b) at 1954 prices.

	<i>1954</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>	<i>1959</i>
a)	15,549	16,908	18,280	19,313	20,149	20,831
b)		16,242	16,547	16,779	16,694	17,158

BRITISH TRADE FIGURES—FIRST QUARTER 1960

	\$ million		
I WORLD TRADE	Imports* (cif)	Exports* (fob)	Apparent Trade Gap
January	1027.6	919.2	108.4
February	1020.3	854.6	165.7
March	1101.8	901.3	200.5
II TRADE WITH THE UNITED STATES ONLY—FIRST QUARTER 1960			
January	108.6	94.1	14.5
February	108.6	91.0	17.6
March	121.2	88.8	5.3

*Exports include re-exports. (fob) signifies that values are exclusive of insurance and freight costs. (cif) signifies inclusive of insurance and freight, which are part of the cost of imports as they are reported. cif adds about 10-12 per cent of the value of imports. In the Balance of Payments figures (below) the annual import bill is cleared of insurance and freight charges, which appear elsewhere in the accounts.

MAIN BRITISH EXPORTS TO THE U.S.A. IN 1959 (fob)* (of an annual total \$1067m.) (fob)

	(In \$ million)
Road and vehicles and parts	275
Machinery (non electric)	125
Whisky	98
Non-ferrous base metals	66
Miscellaneous manufactures	60
Aircraft and engine components and parts	52
Machinery (electric)	41
Iron and Steel	39
Clothing, footwear, travel goods	37
Chemicals	32

MAIN U.S. EXPORTS TO BRITAIN IN 1959 (cif)* (of an annual total of \$1038m.) (cif)

	(In \$1 million)
Cereals	194
Machinery (non electric)	122
Tobacco	117
Chemicals	95
Miscellaneous Manufactures	56
Non-ferrous base metals	50
Miscellaneous food and food preparations	46
Cotton	46
Fruit and vegetables	41
Petroleum	39

*Note: For explanation of (fob) (cif) see footnote to British trade figures above.

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